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# REVIEW OF THE IMPLEMENTATION OF THE CONVENTION AND OF DECISIONS OF THE FIRST SESSION OF THE CONFERENCE OF THE PARTIES

## ACTIVITIES IMPLEMENTED JOINTLY: ANNUAL REVIEW OF PROGRESS UNDER THE PILOT PHASE

Progress report on activities implemented jointly*

Note by the secretariat

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** See document FCCC/CP/1996/14/Add.1

# I. INTRODUCTION

## A. Mandate and background

1. The Conference of the Parties, at its first session (COP 1), by its decision 5/CP.1,* decided to established a pilot phase for activities implemented jointly (AIJ). The criteria for such activities and the principles governing the pilot phase were defined in the same decision.

2. By its decision 5/CP.1, paragraph 2 (a), the Conference decided that a framework for reporting on AIJ under the pilot phase should be established by the Subsidiary Body for Scientific and Technological Advice (SBSTA), in coordination with the Subsidiary Body for Implementation (SBI).

3. The SBSTA, at its first session, considered the issue and requested the secretariat to prepare proposals on a reporting framework, taking into consideration views expressed by Parties and experience gained in activities implemented jointly, for consideration at its future sessions (FCCC/SBSTA/1995/3, para. 31 (b)).

4. In conjunction with the first session of the subsidiary bodies, a technical panel discussion was organized by the secretariat as a side event. It was well attended and was considered to be a useful opportunity to exchange views on AIJ.

5. At its second session, the SBSTA considered two documents containing views by Parties (FCCC/SBSTA/1995/MISC.1, FCCC/SBSTA/1996/MISC.1) and a note by the secretariat (FCCC/SBSTA/1996/5).

6. At this session, the SBSTA adopted an initial reporting framework on AIJ during the pilot phase, and decided to compile and synthesize, in cooperation with the SBI, and with the assistance of the secretariat, information transmitted by the Parties in the form of a report to be considered annually by the Conference of the Parties (COP), and, based on this information, to develop suggestions for improving the initial reporting framework and for addressing methodological issues, as necessary. Furthermore, the SBSTA invited Parties to identify the relevant governmental authority or ministry authorized to accept, approve or endorse activities implemented jointly and to report them to the COP through the secretariat (FCCC/SBSTA/1996/8, para. 76).

7. At its second session, the SBI took note of the SBSTA decision and requested the secretariat to prepare a progress report on activities implemented jointly for its next session to be held immediately prior to COP 2. Delegations were invited to submit information to

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* For decisions adopted by the Conference of the Parties at its first session, see document FCCC/CP/1995/7/Add.1.

the secretariat in accordance with the SBSTA decision for inclusion in the report by 1 April 1996 (FCCC/SBI/1996/9).

### B. Scope of this document

8. The present document is the progress report submitted in response to this request by the SBI, and is intended to assist the SBSTA in preparing, in coordination with the SBI, the first annual report for consideration by the COP at its second session. The report contains information on projects undertaken through AIJ, on the reporting process itself, and on national AIJ programmes. The document further contains a section responding to the request of the SBSTA that suggestions for improving the reporting framework and resolving methodological issues be developed. This section includes a proposal for a work programme which is intended to deal with these issues.

9. The SBSTA and the SBI may decide to utilize information contained in this progress report for the preparation of their report to the COP. The subsidiary bodies may wish to provide feedback to the secretariat on the structure and presentation of the present progress report. Decisions could also be made with respect to the proposals contained in paragraph 19 on the adoption of a unified reporting format and in paragraphs 25-35 on a proposed work plan.

## II. INFORMATION ON AIJ PROJECTS

10. In adopting the initial reporting framework, the SBSTA specified that "each national Government of Parties involved in activities implemented jointly should report separately to the COP through the secretariat on a project-by-project basis, unless participating Parties agree on a common report on a particular project". The SBSTA went on to state: "If the Parties choose not to report jointly, the secretariat will not process information on that project until reports on that project from all Parties concerned, particularly developing country Parties, are transmitted to the secretariat" (FCCC/SBSTA/1996/8, annex IV).

11. In response to the adoption by the SBSTA of the reporting framework for activities implemented jointly under the pilot phase, and the invitation to Parties to submit reports on these activities, reports were received from six Parties (Australia, Canada, Germany, Netherlands, Norway, United States of America). It should be noted that the time allowed for submissions in order for the information contained in them to be included in the present report was quite short, and therefore not all Parties with current AIJ efforts were able to meet the deadline. Of the Parties which did submit reports, Canada reported on the development of its AIJ programme and project selection criteria, while the other Parties reported both on their programmes and on specific projects.

12. Two projects were reported jointly, one by Hungary and the Netherlands, another by Mexico and Norway. No separate reports were received from countries hosting AIJ projects,

although letters were forwarded to the secretariat from four host country Parties, agreeing with the project reports as presented by the reporting Party. Therefore much of the country and project-specific information presented in this report should be regarded as tentative and preliminary, and as subject to subsequent confirmation. At this time the secretariat has compiled this information primarily for the purpose of presenting a prototype report in order to comply with the SBSTA's request that such a report be prepared, and in order to invite comment and guidance on the structure and presentation of the progress report itself. Table 1* in the addendum to the present note (FCCC/CP/1996/14/Add.1) identifies all of the country partners and projects which are the subject of this report.

13. Thirty-two projects were described, of which 13 were ongoing and 17 were in the planning stage, while two descriptions did not indicate clearly the implementation status of the projects; projects were reported to be in 17 countries or regions. Reported non-governmental project participants were most frequently energy providers, with some additional industry participation, as well as participation by research organizations and environmental non-governmental organizations. Projects reported may be classified in accordance with the sectors identified by the IPCC as follows: five in energy efficiency, twelve in renewable energy, five in fuel switching, five in forest preservation, restoration or reforestation, four in afforestation, and one in fugitive gas capture (see table 2). No projects on emissions from industrial processes, solvents, agriculture, waste disposal or bunker fuels were reported.

14. Projects are being carried out or have been proposed in a variety of non-Annex II countries and regions, including Belize, Bhutan, Costa Rica, the Czech Republic, Ecuador, Honduras, Hungary, Indonesia, Jordan, Latvia, Mexico, Nicaragua, Poland, Portugal, the Russian Federation, Uganda, and the South Pacific region.

15. With respect to the coverage of all relevant sources, sinks and reservoirs of greenhouse gases, projects reported related primarily to $CO_2$, with a limited emphasis on $CH_4$ and precursors. There was no consistent approach among reporting Parties to projecting emission reductions. Reductions were reported variously, on an annual basis both with and without project lifetimes, and on a total project basis with reductions spread over varying project lifetimes. Based on the information provided, a limited number of cautious statements can be made about the effectiveness of the reported AIJ projects. Where it is possible to determine the project lifetime and total emission reductions from the submitted reports, it appears that at least 42,000 gigagrams of carbon will be removed from the atmosphere over the next 120 years by the reported projects. Aggregating reported annual emission reductions where no project lifetime was reported with reductions which were reported as total reductions over a project lifetime leads to the conclusion that in an average hypothetical year approximately 1900 gigagrams of carbon will be removed from the atmosphere by the reported projects. However, differences in reporting, calculation

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* All tables referred to in the present note are contained in document FCCC/CP/1996/14/Add.1.

methodology, and baseline determination make these numbers purely illustrative; numbers are provided solely for the purpose of indicating the scale of the reported projects, and to highlight the difficulties in determining project and programme effectiveness in the absence of any consistency of calculations and reporting.

16. Project costs were rarely reported in a manner permitting cost comparisons and cost effectiveness determinations. It appears that a number of reported projects were not initiated exclusively as AIJ projects, and do receive other funding in addition to the AIJ funding component of the project, but it was not possible to determine the extent to which this is the case.

## III. REPORTING ON AIJ

17. The reporting framework adopted by the SBSTA specifies who should report AIJ activities, the frequency of reporting, and the contents of the reports. In general, reports should contain a full project description, a discussion of arrangements between the two countries involved, a description of the benefits to be derived from the project including supporting calculations, a discussion of emissions and financial additionality, and a discussion of the contributions of the project to capacity building and technology transfer.

18. The designation of official focal points for AIJ information is an important aspect of the decision by the SBSTA to adopt the reporting framework, and an official focal point was designated by each reporting Party. One Party which notified the secretariat of the designation of an official focal point, did not submit a report on AIJ activities or programmes (see annex). The issue of national focal points for the Convention process was taken up in the note verbale dated 8 May 1996 sent to Parties by the Executive Secretary.

19. The secretariat has reviewed the submitted reports in the light of the adopted reporting framework, and a synthesis of the consistency of the reports received with the reporting framework is presented in table 3. The national programmes on AIJ are at different stages of advancement and, given the short time available for reporting, this may have influenced the ability of Parties to report in a manner consistent with the recently adopted framework. Table 3 should be read with this in mind.

20. The reporting framework adopted by the SBSTA is a useful tool which facilitates the analysis and comparison of AIJ projects and programmes; however, these tasks would be greatly simplified by the adoption of a uniform reporting format within the reporting framework. One Party submitted its report in a format which exactly paralleled that of the adopted reporting framework. This approach not only serves to simplify the task of analysis, but can also serve as a checklist for the reporting Party to ensure that all items in the adopted reporting framework are covered in the report. With this exception, there was a great variety of reporting formats, which complicated the comparability of information used in the preparation of this report. For this reason the SBSTA may wish to consider adopting a

reporting format as a complement to the adopted reporting framework. Parties could be invited to submit proposals in that regard or alternatively a technical meeting could be convened to draft a proposed reporting format.

21. Three reporting Parties submitted calculations supporting their estimates of benefits derived from the AIJ projects. Two Parties submitted calculations, assumptions, and calculation methodology for every reported project, which greatly enhances the transparency of their reports, as any third party can independently verify the emission reductions and carbon sequestration claimed. Emissions additionality often remained unclear, especially in cases where AIJ was only a portion of an existing or already planned project.

## V. INFORMATION ON AIJ PROGRAMMES

### A. AIJ project criteria

22. In reviewing the information submitted on national programmes, it was clear that all reporting Parties had endeavoured to meet the criteria defined in decision 5/CP.1 to some extent. All of the reporting Parties have made reference to these criteria. However, the extent of the reference ranges from the inclusion of some of them to the verbatim incorporation of nearly all of them. Project approval criteria are reported in table 4, which is divided into a comparison of the relationship between the criteria defined by the COP and the corresponding criteria reported by Parties, and a section on additional project approval criteria developed by the reporting Parties for their national AIJ programmes.

23. As table 4 indicates, the criteria defined by the COP have been generally adhered to in the development of AIJ project criteria. However, two criteria, those of emissions additionality and cost-effectiveness, have been much less explicitly adopted. (Furthermore, there is an issue about how to account for financial additionality in cases where a project receives a portion of its funding through the Global Environment Facility or regular official development assistance):

(a) One reporting Party has as an explicit criterion a statement that emissions reductions and carbon sequestration must be additional to those that would have occurred in the absence of the AIJ project. The other reporting Parties have not indicated that emissions additionality is a strict criterion in their programmes. This fact is reflected in project reports, where emissions additionality is often difficult to determine;

(b) Two Parties mentioned cost-effectiveness in relation to project criteria, and only one Party provided sufficient information for the cost-effectiveness of projects to be determined. In addition, where projects were funded by the private sector, no information was provided on profits or tax benefits accruing to the sponsoring company as a result of investment in the project, nor does decision 5/CP.1 provide guidance on how these factors should be considered. Furthermore, the decision envisages the cost-effectiveness of AIJ as a

whole, without requiring that individual projects be cost-effective in reducing greenhouse gas emissions. Further consideration of this criterion is necessary to ensure that this aspect of decision 5/CP.1 is being implemented.

### B. AIJ programme features

24. In addition to the approval criteria for specific projects, all reporting Parties described their AIJ programmes, which are in various stages of development. Programme elements which are intended to guide the direction of AIJ in these reporting country Parties are presented in table 5.

## V. PROPOSED WORK PLAN

25. In adopting an initial reporting framework for AIJ, the SBSTA held open the prospect of making future improvements to the reporting framework, as well as of considering methodological issues. As this progress report has revealed, there are a number of issues arising from the Parties' approach to decision 5/CP.1, and from experience gathered in the process of reporting for the first time under the newly adopted reporting framework, which would benefit from further attention from the subsidiary bodies. In addition, one Party suggested that this report contain a draft work plan on methodological issues to be examined by the SBSTA during the coming year. The SBSTA may want to consider adopting a systematic approach to the resolution of these issues, such as the work plan proposed below.

Time-frame

26. Decision 5/CP.1 also states that the COP shall take into consideration the need for a comprehensive review of the pilot phase in order to take a conclusive decision on the pilot phase and progression beyond that, no later than the end of the present decade. Given this time-frame of approximately three years to resolve all of the issues identified above, as well as for consideration of other issues and arrangements as they arise, an expeditious schedule of work is necessary in order to ensure that the Conference at its fifth session will have readily available all of the information it needs to make a decision regarding progression beyond the pilot phase at that time.

Workshops on methodological issues

27. A number of important issues have arisen during the preparation of this progress report, which the SBSTA may wish to consider. Methodological issues such as the development of agreed-upon calculations for both emission reductions and sequestration projects, a uniform approach to baseline determinations, the assessment of emissions additionality and financial additionality, cost-effectiveness determinations, project assessment procedures and reporting transparency are critical to the success of the pilot phase of AIJ. In

addition, the SBSTA may wish to consider developing an approach to the facilitation of AIJ project and programme information sharing.

28. With regard to methodological issues such as those mentioned above, the SBSTA may wish to entrust the secretariat with the task of convening of expert workshops. Such workshops could consider, as concrete examples, submissions already made to the SBSTA for the preparation of this progress report, or could invite additional submissions from Parties. Such a workshop process could also take up the issue of minimal institutional arrangements needed for progressing beyond the pilot phase of AIJ. Such workshops would bring together a representative mix of experts, with specialized expertise in the issues on the work programme. Should a roster of experts be established by the SBSTA, it could be drawn upon for this purpose. Meetings would be scheduled so as to complete the work programme before the fifth session of the Conference of the Parties.

Information, storage and dissemination

29. In order to deal with the collection, storage and dissemination of information regarding AIJ during the pilot phase, the secretariat intends to integrate, to the extent feasible, information reported on AIJ into the CC:INFO database. Progress on this aspect would be reported to the SBSTA at its fourth session in December 1996.

30. In addition, through the process of reviewing the national communications and the AIJ reports, the secretariat has become aware of Parties wishing to host AIJ projects that have not yet been able to find sponsors for these projects. The secretariat intends to include in the CC:INFO database such information about host country Parties with projects lacking sponsorship.

Compilation report

31. In order to provide an ongoing update of information related to AIJ, the secretariat could prepare a compilation report for each of the subsidiary bodies' regularly scheduled meetings, in addition to the annual progress report to be prepared for meetings of the COP. These compilation reports could reflect in concise form information submitted by the Parties related to ongoing or potential projects and available resources, a bibliography of current printed material on AIJ, and a directory of electronic sites containing information on AIJ. Such an interim report would have the advantage of being available to all interested parties, and would facilitate the exchange of information on AIJ among Parties and other participants in the intergovernmental process during the pilot phase.

AIJ forum

32. With regard to facilitating AIJ project and programme information sharing, an AIJ forum could be convened. This group would provide an opportunity for the designated focal points for AIJ of all Parties participating in, or wishing to participate in, the pilot phase of

AIJ to share views and experience. An AIJ forum could also consider review procedures, project evaluation processes and other aspects of programme design and matters related to reporting and information sharing. Such a body could, for instance, meet once or twice annually for up to two days in conjunction with regularly scheduled subsidiary body meetings.

Dissemination of information

33. The SBSTA may also wish to consider issues related to the dissemination of information on AIJ received by the secretariat. Clarification could be provided as to (1) whether all information on AIJ received by the secretariat should be considered to be public information, or whether any project information may be considered to be confidential; and (2) whether, in addition to synthesis reports, there is a need to disseminate information received on projects and programmes in the form in which it is submitted, bearing in mind the potential cost of such a process. If requested, the secretariat could study cost-effective approaches to such dissemination and report its findings to Parties.

Timing of next reports

34. According to the initial framework, reports on AIJ may be submitted by Parties at any time. In order for a report to be taken into account in the synthesis to be prepared for COP 3 it will need to be submitted by a date to be announced at the fourth session of the SBSTA in December 1996.

Costs

35. Implementing the above work plan will involve costs for the secretariat. The core budget provides for staff resources that could initiate the implementation of such activities. Supplementary funding would be needed to meet other implementation costs. Initial interest has been indicated by individual Parties in providing support for the implementation of methodological workshops such as those mentioned in paragraph 28 above. The integration of AIJ information into CC:INFO will require additional supplementary funds. The cost of convening an AIJ forum of the kind mentioned in paragraph 32 above would depend on whether it could meet during sessions of subsidiary bodies and on language requirements and any other conference servicing costs. Depending on the interest expressed by the subsidiary bodies in the various elements of the work programme, the secretariat will prepare proposals for supplementary funding.

Annex

## NATIONAL CONTACT INFORMATION

The following contact points on activities implemented jointly have been designated by Parties.

**Australia**:

*Australia's National Program on AIJ*

Australian AIJ
c/o Mr Paul Tighe
Assistant Secretary
International Competitiveness Branch
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**Canada:**

*Canadian Joint Implementation Initiative(CJII)*

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